

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

IMTEK CORPORATION d/b/a BENEFICIAL ASSISTANCE; WILLIAM R. EVANS, CHARTERED; DANIEL CURTIN; FREDERICK WEATHERBEE; PENNY HANSEN; GLEN OTTMAR; STEVEN MONROE; ROGER GROSSBOHLIN; their agents and employees,

CONSENT ORDER AS TO BENEFICIAL
SERVICES CORPORATION f/k/a IMTEK
CORPORATION d/b/a BENEFICIAL
ASSISTANCE

Case No. 01-04-151/S-01-040

Respondents.

Pursuant to the Securities Act of Washington, the Securities Division, Department of Financial Institutions, and Respondent Beneficial Services Corporation f/k/a Imtek Corporation d/b/a Beneficial Assistance do hereby agree to this Consent Order in settlement of the above captioned matter.

On December 13, 2001, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist, Notice of Intent to Suspend or Revoke Securities Salesperson Registration, and Notice of Intent to Impose Fines and Order Affirmative Relief SDO-107-01 (hereinafter referred to as the “Summary Order”).

1 On June 17, 2002, the Securities Division entered Consent Order SDO-57-02 as to Respondent
2 Frederick Weatherbee. In addition to agreeing to cease and desist from violations of the registration and
3 anti-fraud provisions of the Securities Act, Mr. Weatherbee was barred from being licensed as a securities
4 salesperson or investment adviser representative for a period of five years. Mr. Weatherbee also reimbursed
5 the Securities Division \$2,500 for its investigative costs, and is immediately subject to a \$5,000 fine in the
6 event the Consent Order is violated.

7 On July 1, 2002, the Securities Division entered Consent Order SDO-57-02 as to Respondent Daniel
8 Curtin. In addition to agreeing to cease and desist from violations of the registration and anti-fraud
9 provisions of the Securities Act, Mr. Curtin's securities salesperson license was suspended for a period of
10 sixty days. Mr. Curtin also reimbursed the Securities Division \$2,000 for its investigative costs, and is
11 immediately subject to a \$15,000 fine in the event the Consent Order is violated.

12 On July 22, 2002, the Securities Division entered Consent Order SDO-64-02 as to Respondent Glen
13 Ottmar. In addition to agreeing to cease and desist from violations of the registration and anti-fraud
14 provisions of the Securities Act, Mr. Ottmar was barred from being licensed as a securities salesperson or
15 investment adviser representative for a period of seven years. Mr. Ottmar also reimbursed the Securities
16 Division \$3,000 for its investigative costs, and is immediately subject to a \$65,000 fine in the event the
17 Consent Order is violated.

18 On July 29, 2002, the Securities Division entered Consent Order SDO-71-02 as to Respondent
19 Steven Monroe. In addition to agreeing to cease and desist from violations of the registration and anti-fraud
20 provisions of the Securities Act, Mr. Monroe was barred from being licensed as a securities salesperson or
21 investment adviser representative for a period of five years. Mr. Monroe also reimbursed the Securities
22

Division \$1,500 for its investigative costs, and is immediately subject to a \$15,000 fine in the event the Consent Order is violated.

On August 6, 2002, the Securities Division entered Consent Order SDO-73-02 as to Respondent Roger Grossbohlín. In addition to agreeing to cease and desist from violations of the registration and anti-fraud provisions of the Securities Act, Mr. Grossbohlín was barred from being licensed as a securities salesperson or investment adviser representative for a period of two years. Mr. Grossbohlín also reimbursed the Securities Division \$1,000 for its investigative costs, and is immediately subject to a \$15,000 fine in the event the Consent Order is violated.

Respondent Penny Hansen requested a hearing in this matter and one has been scheduled.

On November 20, 2002, Beneficial Services Corporation filed a bankruptcy petition pursuant to Chapter 7 of the federal bankruptcy code in United States Bankruptcy Court in the District of Columbia. As of the date this Consent Order was entered, no discharge has been granted. The Securities Division of the Maryland Office of the Attorney General has intervened in the bankruptcy proceeding.

The Securities Division is entering Consent Order S-01-040-03-CO08 as to Respondent William R. Evans, Chartered concurrently with this Consent Order.

Respondent Beneficial Services Corporation f/k/a Imtek Corporation d/b/a Beneficial Assistance neither admits nor denies the Tentative Findings of Fact and Conclusions of Law as set forth below.

TENTATIVE FINDINGS OF FACT

I. Respondents

1. **BENEFICIAL SERVICES CORPORATION f/k/a IMTEK CORPORATION d/b/a BENEFICIAL ASSISTANCE** ("Beneficial") is a District of Columbia corporation with a last known

business address of 1825 I Street, NW Suite 400, Washington D.C. 20006. Beneficial was at all times relevant to the matters set forth herein in the business of offering and selling viatical settlement contracts.

2. **WILLIAM R. EVANS, CHARTERED** (“Evans”) is a Maryland corporation with a last known business address of 6914 Holabird Avenue, Baltimore, MD 21222. Evans acted as policy owner, attorney-in-fact, and trustee on behalf of investors who were sold viatical settlement contracts, as described below in Section II.

II. Nature of the Offering

A. Background

3. Viatical settlements are generally obtained through an initial transaction in which a viatical settlement broker or viatical settlement provider arranges for the purchase of the ownership and death benefits in a life insurance policy insuring the life of a terminally ill insured (“viator”). The viatical settlement broker or viatical settlement provider negotiates an amount to be paid to the viator, in advance of his or her death, in consideration for the transfer of rights in the policy. The death benefits are either purchased for the benefit of investors or re-sold to investors. Investors are then typically solicited through a network of brokers, funding companies, marketing companies, and/or independent sales agents. The profit earned by the viatical settlement broker or viatical settlement provider is the spread between the purchase price paid by the investor and the amount actually paid to the terminally ill. An investor’s profit is measured by the difference between the purchase price paid by the investor for the viatical settlement contract and his or her percentage of the death benefits ultimately received.

B. Summary

4. From at least July of 1997 through at least February of 2001, Respondents acting in concert, on behalf of one another, and/or acting through their sales agents, offered and sold viatical settlements contracts to at least 45 Washington residents.

5. Under the terms of the viatical settlement contracts offered and sold by Beneficial to Washington residents, investors completed a viatical settlement purchase authorization agreement. Under the terms of this agreement, Beneficial undertook to identify, qualify, and purchase life insurance and related death benefits in the form of viatical settlements in accordance with criteria selected by the investor on the purchase authorization agreement. Investors were given an option of purchasing policies with expected maturing dates ranging from 12 months to 48 months. Beneficial was given the authority to receive up to 20% of the purchase funds as administration costs.

6. Investor funds were forwarded to Beneficial by the agents for processing and deposit into the viatical trust account of Beneficial's escrow agent. Beneficial mandated that funds be in the form of a check, money order, or wire transfer payable to William R. Evans, Chartered Viatical Trust Account. William R. Evans, Chartered then purportedly acquired the ownership of viaticated insurance policies as trustee for investors. Pursuant to the terms of the viatical settlement purchase authorization agreement, Beneficial was responsible for monitoring the progress and death of the viator(s). Upon notification of the death of the viator(s), the insurance company would make payment to William R. Evans, Chartered as the purchaser's Attorney-In-Fact, and Beneficial's escrow agent would then remit a check to the investor for their percentage of the death benefits.

6. At least 45 Washington residents invested a total of at least \$1,177,831 in viatical settlement through Beneficial.

1 7. In connection with the offer and sale of viatical settlement contracts, some of the investors
2 were provided promotional materials that described viatical investments as providing higher yields than
3 certificates of deposit, money markets, fixed annuities, and savings accounts without stock market risk,
4 interest rate risk or credit risk. The promotional materials also describe the investment as “a fixed rate
5 program which combines safety, pre-determined high fixed yield, and flexibility while requiring
6 absolutely no up-front charges or administrative fees.”

7 8. In connection with the offer and sale of viatical settlement contracts, Respondents failed to
8 provide material information regarding Beneficial Assistance during the investment offering, including,
9 but not limited to: (1) the financial condition and financial statements of Beneficial; (2) the limited
10 operating history of Beneficial; (3) information about the use of investor proceeds, such as the costs to
11 purchase policies and the amounts paid to Beneficial, Evans, agents, and others; and (4) the risks of the
12 investment, including, but not limited to:

- 13 a. the risk of the insured living longer than his or her estimated life expectancy,
14 thereby greatly reducing the investor’s yield on his or her investment;
- 15 b. the risk of the investor being dependent upon the continued viability of Beneficial
16 for funding and payment of premiums, and for monitoring of the investment;
- 17 c. the risk that medical advisors may have misdiagnosed or misconstrued the gravity of
18 an insured’s condition; and
- 19 d. the risk of the insurer becoming insolvent and unable to pay death benefits.

20 9. As of the date the Summary Order was entered, Beneficial was continuing to advertise their
21 viatical settlement contract investment opportunity on the Internet at
22 <http://www.beneficialassistance.com/> and <http://www.absoluteassurance.com/>.

1 **III. Registration Status**

2 10. Beneficial is not currently registered to offer or sell its securities in the state of Washington
3 and have not previously been so registered.

4 11. Beneficial is not currently registered as a securities salesperson or broker-dealer in the state
5 of Washington.

6 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

7 **CONCLUSIONS OF LAW**

8 **I. Securities**

9 The offer and/or sale of viatical settlement contracts described above constitutes the offer and/or
10 sale of a security as defined in RCW 21.20.005(10) and (12), to wit: an investment contract; or risk
11 capital.

12 **II. Violation of RCW 21.20.010**

13 The offer and/or sale of said securities was made in violation of RCW 21.20.010 because, as
14 specifically set forth in paragraphs 7 and 8 of the Tentative Findings of Fact, Respondent Beneficial
15 made untrue statements of material fact and/or omitted to state material facts necessary in order to make
16 the statements made, in light of the circumstances under which they were made, not misleading.

17 **III. Violation of RCW 21.20.140**

18 The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration for
19 such offer and/or sale is on file with the Securities Administrator of the state of Washington.

20 **IV. Violation of RCW 21.20.040**

21 Respondent Beneficial has violated RCW 21.20.040 by offering said securities while not being
22 registered as a broker-dealer or securities salesperson in the state of Washington.

1 **CONSENT ORDER**

2 Based on the foregoing,

3 IT IS AGREED AND ORDERED that Beneficial Services Corporation f/k/a Imtek Corporation
4 d/b/a Beneficial Assistance, and their agents, employees, affiliates, and successors, shall cease and desist
5 from offering and selling securities in any manner in violation of RCW 21.20.010, the anti-fraud
6 provisions of the Securities Act of Washington.

7 IT IS FURTHER AGREED AND ORDERED that Beneficial Services Corporation f/k/a Imtek
8 Corporation d/b/a Beneficial Assistance, and their agents, employees, affiliates, and successors shall cease
9 and desist from offering and selling securities in any manner in violation of RCW 21.20.140, the
10 securities registration section of the Securities Act of Washington.

11 IT IS FURTHER AGREED AND ORDERED that Beneficial Services Corporation f/k/a Imtek
12 Corporation d/b/a Beneficial Assistance, and their agents, employees, affiliates, and successors shall cease
13 and desist from offering and/or selling securities in violation of RCW 21.20.040, the securities
14 salesperson registration section of the Securities Act of Washington.

15 IT IS FURTHER AGREED AND ORDERED that, based on the above Tentative Findings of Fact
16 and Conclusions of Law, Beneficial Services Corporation f/k/a Imtek Corporation d/b/a Beneficial
17 Assistance shall be subject to a fine in the amount of Fifty Thousand Dollars (\$50,000), with the entire
18 amount being suspended based on future compliance with this Consent Order. In the event of a violation
19 of this Consent Order, the Securities Division will seek enforcement of this Consent Order pursuant to
20 RCW 21.20.395.

21 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent
22 Order.

1 In consideration of the foregoing, Beneficial Services Corporation f/k/a Imtek Corporation d/b/a
2 Beneficial Assistance waives its right to a hearing in this matter, and its right to judicial review of this
3 Consent Order pursuant to RCW 21.20.440.

4 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

5 SIGNED this _____ day of _____, 2003.

6 Approved for entry by:

7
8 _____
George R.A. Doumar
District of Columbia Bar #415446
9 Dilworth Paxon PLLC
Attorney for Beneficial Services Corporation
10 f/k/a Imtek Corporation d/b/a Beneficial Assistance

11 Respondent:
BENEFICIAL SERVICES CORPORATION
12 f/k/a IMTEK CORPORATION d/b/a BENEFICIAL ASSISTANCE
13

14 _____
Edwin C. Hirsch, President

15 THIS ORDER ENTERED THIS 17th DAY OF March 2003 BY:

16
17 

18 _____
DEBORAH R. BORTNER
Securities Administrator

19 Approved by:

Presented by:

20
21 _____
22 Michael E. Stevenson
Chief of Enforcement

Chad Standifer
Staff Attorney

23 CONSENT ORDER

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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